

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

Independent Auditors' Reports  
Basic Financial Statements and  
Required Supplementary Information  
Schedule of Findings

June 30, 2013 and 2012

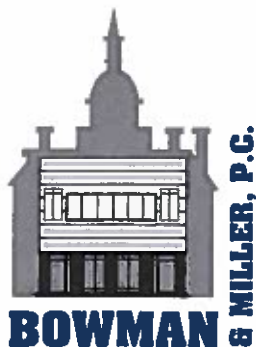
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# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Reiher	Chairperson	Butler County Board of Supervisors
Bob Greenlee	Vice Chairperson	Butler County Solid Waste Commission
Jody Anderson	Member	Hardin County Solid Waste
Lance Granzow	Member	Hardin County Board of Supervisors
Dan Aastrup	Landfill Manager	



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Members of the Rural Iowa Waste  
Management Association:

Report of the Financial Statements

We have audited the accompanying financial statements of Rural Iowa Waste Management Association as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Iowa Waste Management Association as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2013 on our consideration of the Rural Iowa Waste Management Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rural Iowa Waste Management Association's internal control over financial reporting and compliance.

*Bowman & Miller, P.C.*

October 8, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Rural Iowa Waste Management Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- ◆ The Association's operating revenues increased 8.1%, or \$85,294, from fiscal year 2012 to fiscal year 2013.
- ◆ The Association's operating expenses were 5.6%, or \$50,312 more in fiscal year 2013 than in fiscal year 2012.
- ◆ The Association's net position increased 6.6%, or \$197,721, from June 30, 2012 to June 30, 2013.

### USING THIS ANNUAL REPORT

The Rural Iowa Waste Management Association is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Rural Iowa Waste Management Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statements of Net Position present information on the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE ASSOCIATION

### *Statements of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Association's financial position. The Association's net position at the end of fiscal year 2013 totaled approximately \$3,163,400. This compares to approximately \$2,965,600 at the end of fiscal year 2012. A summary of the Association's net position is presented below.

Net Position		
	June 30,	
	2013	2012
Current assets	\$ 1,339,966	1,094,021
Restricted investments	1,461,246	1,398,475
Capital assets at cost, less accumulated depreciation	1,968,101	2,244,010
Total assets	4,769,313	4,736,506
Current liabilities	88,904	133,114
Noncurrent liabilities	1,517,054	1,637,758
Total liabilities	1,605,958	1,770,872
Net position:		
Invested in capital assets, net of related debt	1,922,420	2,109,069
Restricted	1,506,927	1,533,416
Unrestricted	(265,992)	(676,851)
Total net position	\$ 3,163,355	2,965,634

The unrestricted portion of the Association's net position may be used to meet the Association's obligations as they come due. Due to the fact that the Association must restrict the Local Government Dedicated Fund it currently places the unrestricted portion (8.4%) into a deficit balance. The invested in capital assets (e.g. land, land improvements, buildings and equipment), less the related debt portion of net assets (60.8%) are resources allocated to capital assets. The remaining net position (47.6%) are restricted for closure and postclosure care, local government dedicated fund and for tonnage fees held. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

## *Statements of Revenues, Expenses and Changes in Net Position*

Operating revenues are received for gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012 is presented below:

	Changes in Net Position	
	Year ended June 30,	
	2013	2012
Operating revenues:		
Gate fees	\$ 1,133,577	1,047,473
Other operating revenues	16	826
Total operating revenues	<u>1,133,593</u>	<u>1,048,299</u>
Operating expenses:		
Salaries and employee benefits	178,436	175,296
Travel, meetings and dues	2,638	2,704
Office expenses	1,328	3,026
Advertising and printing	1,110	1,728
Legal and accounting	14,765	20,936
Insurance	27,579	14,298
Site utilities	12,479	12,167
Tonnage fees	79,600	86,824
Site maintenance	168,472	177,321
Equipment repair and maintenance	41,683	39,792
Closure and postclosure care costs	(74,971)	(143,581)
Long range planning and engineering	21,528	25,625
Depreciation	465,668	472,815
Miscellaneous	6,436	7,488
Total operating expenses	<u>946,751</u>	<u>896,439</u>
Operating income	<u>186,842</u>	<u>151,860</u>
Non-operating revenues (expenses):		
Interest income	14,544	13,400
Interest expense	(3,665)	(7,063)
Net non-operating revenues	<u>10,879</u>	<u>6,337</u>
Change in net position	197,721	158,197
Net position beginning of year	<u>2,965,634</u>	<u>2,807,437</u>
Net position end of year	<u>\$ 3,163,355</u>	<u>2,965,634</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.



In fiscal year 2013, operating revenues increased \$85,294, or 8.1%, primarily a result of gate fees increasing approximately \$85,000 due to an increased volume of collections in fiscal year 2013 as well as the overall state of the economy. Operating expenses increased \$50,312, or 5.6%. The increase was primarily a result of the closure/postclosure cost adjustment.

### *Statements of Cash Flows*

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposits and interest income.

## **CAPITAL ASSETS**

At June 30, 2013, the Association had approximately \$2 million invested in capital assets, net of accumulated depreciation of approximately \$2.2 million. Depreciation expense totaled \$465,668 and \$472,815 for fiscal years 2013 and 2012, respectively. More detailed information about the Association's capital assets is presented in Note 4 to the financial statements.

## **LONG-TERM DEBT**

At June 30, 2013 and 2012, the Association had \$45,681 and \$134,941, respectively, in long-term debt outstanding, a decrease of \$89,260 for the year ended June 30, 2013. The table below summarizes outstanding the long-term debt by type.

	June 30,	
	2013	2012
Note payable	\$ <u>45,681</u>	<u>134,941</u>
Total	\$ <u>45,681</u>	<u>134,941</u>

Additional information about the Association's long-term liabilities is presented in Notes 5, to the financial statements.

## **ECONOMIC FACTORS**

The Rural Iowa Waste Management Association continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Association officials. Some of the realities which may potentially become challenges for the Association to meet are:

- ◆ Facilities at the Association require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ Federal and State solid waste legislation and rule revisions and their effect on the current operating costs and long-term closure and postclosure care costs and a dedicated restricted fund to pay for closure and postclosure and corrective costs.
- ◆ New Federal and State mandates require monitoring and control of greenhouse gases.
- ◆ The effect of increasing fuel and energy costs on operations.

While the Association has approved an increase in gate fees beginning July 1, 2013, the Association anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Association's ability to react to unknown issues.

## **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rural Iowa Waste Management Association, 20488 M Avenue, Eldora, Iowa 50627.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Exhibit A

## Statements of Net Position June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,220,442	984,411
Accounts receivable	107,145	100,943
Prepaid insurance	11,740	8,028
Deposits	639	639
Total current assets	<u>1,339,966</u>	<u>1,094,021</u>
Noncurrent assets:		
Restricted investments	1,461,246	1,398,475
Capital assets (net of accumulated depreciation)	1,968,101	2,244,010
Total noncurrent assets	<u>3,429,347</u>	<u>3,642,485</u>
<b>Total assets</b>	<u>4,769,313</u>	<u>4,736,506</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	15,651	16,836
Salaries and benefits payable	10,950	11,962
Accrued liabilities	16,622	15,108
Current portion of note payable	45,681	89,208
Total current liabilities	<u>88,904</u>	<u>133,114</u>
Noncurrent liabilities:		
Note payable	-	45,733
Landfill closure and postclosure care	1,517,054	1,592,025
Total noncurrent liabilities	<u>1,517,054</u>	<u>1,637,758</u>
<b>Total liabilities</b>	<u>1,605,958</u>	<u>1,770,872</u>
<b>Net position</b>		
Invested in capital assets, net of related debt	1,922,420	2,109,069
Restricted for:		
Debt service	45,681	134,941
Closure and postclosure care	1,461,246	1,398,475
Unrestricted	<u>(265,992)</u>	<u>(676,851)</u>
<b>Total net position</b>	<u>\$ 3,163,355</u>	<u>2,965,634</u>

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION  
Statements of Revenues, Expenses and  
Changes in Net Position  
Years ended June 30, 2013 and 2012**

Exhibit B

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Gate fees	\$ 1,133,577	1,047,473
Other operating revenues	16	826
Total operating revenues	<u>1,133,593</u>	<u>1,048,299</u>
Operating expenses:		
Salaries and employee benefits	178,436	175,296
Travel, meetings and dues	2,638	2,704
Office expenses	1,328	3,026
Advertising and printing	1,110	1,728
Legal and accounting	14,765	20,936
Insurance	27,579	14,298
Site utilities	12,479	12,167
Tonnage fees	79,600	86,824
Site maintenance	168,472	177,321
Equipment repair and maintenance	41,683	39,792
Closure and postclosure care	(74,971)	(143,581)
Long range planning and engineering	21,528	25,625
Depreciation	465,668	472,815
Miscellaneous	6,436	7,488
Total operating expenses	<u>946,751</u>	<u>896,439</u>
Operating income	<u>186,842</u>	<u>151,860</u>
Non-operating revenues (expenses):		
Interest income	14,544	13,400
Interest expense	(3,665)	(7,063)
Net non-operating revenues	<u>10,879</u>	<u>6,337</u>
Change in net position	197,721	158,197
Net position beginning of year	<u>2,965,634</u>	<u>2,807,437</u>
Net position end of year	<u>\$ 3,163,355</u>	<u>2,965,634</u>

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

Exhibit C

## Statements of Cash Flows Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 1,127,375	1,062,033
Cash received from other operating receipts	16	826
Cash paid to suppliers for goods and services	(382,013)	(401,269)
Cash paid to employees for services	(178,436)	(175,296)
Net cash provided by operating activities	<u>566,942</u>	<u>486,294</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(189,759)	(118,478)
Principal paid on other debt	(89,260)	(86,007)
Interest paid on other debt	(3,665)	(7,063)
Net cash used by capital and related financing activities	<u>(282,684)</u>	<u>(211,548)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(62,771)	(82,581)
Interest received	14,544	13,400
Net cash used by investing activities	<u>(48,227)</u>	<u>(69,181)</u>
Net increase in cash and cash equivalents	236,031	205,565
Cash and cash equivalents beginning of year	<u>984,411</u>	<u>778,846</u>
Cash and cash equivalents end of year	\$ <u><u>1,220,442</u></u>	<u><u>984,411</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ <u>186,842</u>	<u>151,860</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	465,668	472,815
Closure and postclosure care	(74,971)	(143,581)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,202)	14,560
(Increase) decrease in prepaid items	(3,712)	(898)
(Increase) decrease in deposits	-	-
(Decrease) increase in accounts payable	(1,185)	(7,130)
(Decrease) increase in salaries and benefits payable	(1,012)	(1,990)
(Decrease) increase in accrued liabilities	1,514	658
Total adjustments	<u>380,100</u>	<u>334,434</u>
Net cash provided by operating activities	\$ <u><u>566,942</u></u>	<u><u>486,294</u></u>

# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Notes to Financial Statements June 30, 2013 and 2012**

### **(1) Summary of Significant Accounting Policies**

The Rural Iowa Waste Management Association was formed in 1994 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler and Hardin Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the member Commissions deem necessary and beneficial to the citizens they serve.

The Association is composed of one member from each of the following two Commissions: Butler County Solid Waste Commission and Hardin County Sanitary Solid Waste Disposal Commission and one member each from the Hardin County Board of Supervisors and the Butler County Board of Supervisors. Each Commission and Board shall appoint one member and one alternate to serve in the absence of their respective representative. Representatives and alternates shall serve for one year or until the Association receives a new written notification from the respective Commission of the appointment of a new appointee.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, the Rural Iowa Waste Management Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

#### **B. Basis of Presentation**

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(1) Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Association applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Assets, Liabilities and Net Position**

The following accounting policies are followed in preparing the Statements of Net Position:

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 and 2012 include certificates of deposit of \$1,461,246 and \$1,398,475, respectively.

Restricted Investments – Funds set aside for revenue bond principal and interest payments and payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2013 and 2012

### (1) Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Net Position (Continued)

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings	\$ 25,000
Equipment and vehicles	5,000
Land improvements	5,000
Land	5,000

Capital assets of the Association are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	39
Equipment and vehicles	2 – 30
Land improvements	5 – 10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2013 and 2012.

### (2) Cash and Investments

The Association's deposits in banks at June 30, 2013 and 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.



# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2013 and 2012

### (3) Pension and Retirement Benefits

The Association contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Association is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$11,418, \$10,085 and \$11,331, respectively, equal to the required contributions for each year.

### (4) Capital Assets

A summary of capital assets at June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 149,900	-	-	149,900
	149,900	-	-	149,900
Capital assets being depreciated:				
Buildings	243,116	-	-	243,116
Land improvements	2,544,684	-	-	2,544,684
Equipment and vehicles	2,229,335	225,456	(299,860)	2,154,931
Total capital assets being depreciated	5,017,135	225,456	(299,860)	4,942,731
Less accumulated depreciation for:				
Buildings	53,120	7,247	-	60,367
Land improvements	1,483,367	193,191	-	1,676,558
Equipment and vehicles	1,386,538	265,230	(264,163)	1,387,605
Total accumulated depreciation	2,923,025	465,668	(264,163)	3,124,530
Total capital assets being depreciated, net	2,094,110	(240,212)	(35,697)	1,818,201
Capital assets, net	\$ 2,244,010	(240,212)	(35,697)	1,968,101

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2013 and 2012

**(5) Note Payable**

During the year ended June 30, 2009, the Association financed the purchase of a compactor with a loan from a bank evidenced by a note. Annual payment requirements to maturity for the note are as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2014	3.75%	\$	45,681	794	46,475
Total		\$	45,681	794	46,475

During the year ended June 30, 2013 and 2012, \$89,260 and \$86,007 of principal and \$3,665 and \$7,063 of interest was paid on this note, respectively.

**(6) Closure and Postclosure Care**

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

# RURAL IOWA WASTE MANAGEMENT ASSOCIATION

## Notes to Financial Statements (Continued) June 30, 2013 and 2012

### (6) Closure and Postclosure Care (Continued)

Closure and postclosure costs at June 30, 2013 and 2012, for the Association have been estimated at \$638,400 and \$680,000, respectively, for the vertical expansion area. The costs at June 30, 2013 and 2012, were \$2,339,900 and \$2,310,500, respectively, and for closure and postclosure care for the horizontal expansion area. The combined costs totaled \$2,978,300 and \$2,990,500, respectively, as of June 30, 2013 and 2012. The portion of the liability that has been recognized at June 30, 2013 and 2012 is \$1,517,054 and \$1,592,025, respectively. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013 and 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated total remaining capacity is 1,347,110 tons at June 30, 2013 and 1,374,202 tons at June 30, 2012. There were 27,092 tons of waste disposed at the facility for the year ended June 30, 2013, and 30,569 tons at June 30, 2012.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Association has begun accumulating resources to fund these costs and, at June 30, 2013, assets of \$1,461,246 are restricted for these purposes. They are reported as restricted cash and investments in the Statements of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Association is required to demonstrate financial assurance for the unfunded costs. The Association uses a combination of the local government financial test, the local government guarantee and the local government dedicated fund mechanisms. Under these mechanisms, the Association must certify the following to the Iowa Department of Natural Resources:

$$NP = \frac{CE - CB}{Y}$$

NP = nest payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(8) if the IAC allows the Commission to choose the dedicated fund mechanisms to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Association is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanisms. The amount of funds restricted for the years ended June 30, 2013 and 2012 was \$1,461,246 and \$1,398,475, respectively.

# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(7) Solid Waste Tonnage Fees Retained**

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2013 and 2012, the Association had no unspent amounts retained and restricted for the required purposes.

### **(8) Risk Management**

The Association is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Association's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Association's contributions to the Pool for the years ended June 30, 2013 and 2012, were \$13,408 and \$13,078, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(8) Risk Management (Continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

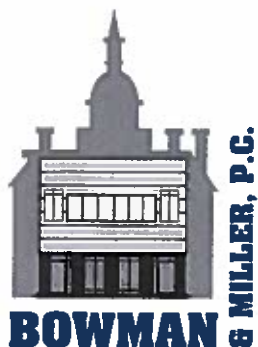
Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Association also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$1,000,000. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(9) Date of Management Evaluation**

Management has evaluated subsequent events through October 8, 2013, the date on which the financial statements were available to be issued.



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on Audits of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Rural Iowa Waste  
Management Association:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Rural Iowa Waste Management Association as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, we consider the Rural Iowa Waste Management Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Iowa Waste Management Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement on Rural Iowa Waste Management Association's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rural Iowa Waste Management Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Rural Iowa Waste Management Association's Responses to Findings

The Rural Iowa Waste Management Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Rural Iowa Waste Management Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and not to provide an opinion of the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Rural Iowa Waste Management Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

October 8, 2013

**RURAL IOWA WASTE  
MANAGEMENT ASSOCIATION**

**Schedule of Findings  
Years ended June 30, 2013 and 2012**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

No matters were noted.



# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Schedule of Findings (Continued) Years ended June 30, 2013 and 2012**

### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

### **Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not. However, the minutes did not always indicate the vote of each member present.

Recommendation – The Association should ensure the minutes indicate the vote of each member present as required by Chapter 21 of the Iowa Code.

Response – The recommendation will be followed at future board meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Condition – The Unrestricted Fund balance had a deficit balance of \$265,992 and \$676,851, at June 30, 2013 and 2012, respectively.

Recommendation – The Association should investigate alternatives to eliminate this deficit in order to return these funds to a sound financial condition.

Response – The Association has increased gate fees \$5 per ton starting July 1, 2013 to continue to work towards getting the Unrestricted Fund to a positive balance.

Conclusion – Response accepted.

# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Schedule of Findings (Continued) Years ended June 30, 2013 and 2012**

- (7) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 2,978,300
Less: Balance of funds held in the local dedicated fund at June 30, 2012	<u>1,398,475</u>
	1,579,825
Divided by the number of years remaining in the pay-in period	44.95
Required payment into the local dedicated fund for the year ended June 30, 2013	35,143
Balance of funds held in the local dedicated fund at June 30, 2012	<u>1,398,475</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2013	<u>1,433,618</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2013	\$ <u>1,461,246</u>

# **RURAL IOWA WASTE MANAGEMENT ASSOCIATION**

## **Staff**

This audit was performed by:

**BOWMAN & MILLER, P.C.**  
Certified Public Accountants  
Marshalltown, Iowa

### **Personnel:**

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